

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7383

BILL NUMBER: HB 1293

NOTE PREPARED: Mar 25, 2013

BILL AMENDED: Mar 21, 2013

SUBJECT: Artisan Distiller's Permit.

FIRST AUTHOR: Rep. Clere

FIRST SPONSOR: Sen. Banks

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill creates an artisan distiller's permit for a person who desires to commercially manufacture not more than 10,000 gallons of liquor in a calendar year (excluding the amount of any liquor sold through a liquor wholesaler). The bill allows an artisan distiller to do the following:

- (1) Manufacture, blend, bottle, store, transport, and sell liquor to a wholesaler.
- (2) Serve complimentary samples and sell liquor to consumers by the drink, bottle, or case at the artisan's distillery.
- (3) Hold an interest in a farm winery permit or microbrewery permit.

The bill provides that the holder of an artisan distiller permit may be: (1) an individual; (2) a firm; (3) a corporation; (4) a partnership; (5) a limited partnership; (6) a limited liability company; (7) an incorporated or unincorporated association; or (8) another legal entity.

It also provides that an applicant must meet certain requirements to be eligible for an artisan distiller's permit. It provides that the holder of an artisan distiller's permit that provides samples or sells liquor by the glass must furnish the minimum food requirements prescribed by the Alcohol and Tobacco Commission (ATC).

The bill allows the ATC to collect an annual \$250 permit fee for a biennial artisan distiller's permit. It provides that a percentage of the artisan distiller's permit fee is deposited in the Enforcement and Administration Fund and the State General Fund. It makes conforming amendments.

Effective Date: July 1, 2013.

Explanation of State Expenditures: *Alcohol and Tobacco Commission (ATC)* - This bill could increase administrative expenditures by requiring the ATC to establish and implement rules governing the issuance of an artisan distiller's permit. The bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of State Revenues: (Revised) *Permit Fees* - The bill requires artisan distiller permit holders to pay an annual fee of \$250. Permit fee revenue would be deposited in the Enforcement and Administration Fund and the state General Fund. The bill provides that current holders of farm winery permits, small brewer permits, and distiller permits that have held those permits for at least three years and have not violated alcoholic beverage laws may be eligible for an artisan distiller's permit. In addition, the bill provides that a person who holds a federal permit to manufacture liquor is eligible to hold an artisan distiller's permit, provided additional requirements have been met.

According to ATC permit counts, 162 farm winery, small brewer, and distiller permits have been issued throughout the state. The number of eligible farm winery, microbrewery, distiller, and federal permit holders that would choose to obtain an artisan distiller's permit is unknown. Therefore, the revenue that would be generated by permit fees is currently indeterminable.

Alcoholic Beverage Sales - This bill allows artisan distillers to sell their liquor by the drink, bottle, or case from the premises of the distillery where the liquor was manufactured. To the extent that the provisions of this bill increase liquor sales, state revenues from the Alcoholic Beverage Tax and the Sales Tax could increase. However, any net increase in revenue would likely be small because an increase in liquor sales by artisan distiller permit holders could lead to a decrease in sales of other alcoholic beverages or other sales taxable items.

The Alcoholic Beverage Tax of \$2.68 per gallon on liquor is distributed to the following funds: state General Fund (\$1.00), Post War Construction Fund (\$1.17), Enforcement and Administration Fund (\$0.11), Pension Relief Fund (\$0.34), and Addiction Services Fund (\$0.06). Fifty percent of the revenue distributed to the General Fund is allocated to cities and towns according to a formula based on population. In FY 2012, over 9.5 M gallons of liquor were sold.

Sales Tax revenue is deposited in the state General Fund (99.848%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures:

Explanation of Local Revenues: Local revenues will increase to the extent that a local unit receives funds from the state General Fund, Commuter Rail Service Fund, or Industrial Rail Service Fund (for more information, see the *Explanation of State Revenues*).

State Agencies Affected: Alcohol and Tobacco Commission.

Local Agencies Affected:

Information Sources: *Indiana Handbook of Taxes, Revenues, and Appropriations*, FY 2012. ATC Online License Search. <http://www.in.gov/apps/atc/permit/search/>

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